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August 3, 2009

Dean Matsuura
Manager - Regulatory Affairs
Hawaiian Electric Company, Inc.
P. O. Box 2750
Honolulu, Hawaii 96840-0001

Re: Docket No. 2008-0083 - Application of Hawaiian Electric Company, Inc. for
Approval of Rate Increases and Revised Rate Schedules and Rules

Dear Mr. Matsuura:

To assist the commission staff in its review of the referenced docket, please respond to
the enclosed information requests by August 17, 2009.

If you have any questions, please contact me at 586-2020.

Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. Takanishi".

Wendy Takanishi
Economist

WT:cp

Enclosure

c: Catherine P. Awakuni
Thomas W. Williams, Jr., Esq.
James N. McCormick, Esq.
Dr. Kay Davoodi

Docket No. 2008-0083
Hawaiian Electric Company, Inc.
Information Request to Hawaiian Electric Company, Inc.

PUC-IR-106

Reference: Act 162 (2006)
HECO ST-10B at 8 - 9

HECO filed Supplemental Testimony of Dr. Jeff D. Makholm, on Behalf of Hawaiian Electric Company, Inc. on July 20, 2009. Dr. Makholm stated the following:

The ECAC, with its "heat rate" efficiency factor..., provides a partial pass-through of fuel costs. It shares the costs and/or benefits of decreased or increased plant operating efficiency by tying HECO's ability to recover its fuel costs (and financial performance) to its power plant performance[.]

Please provide:

- a) details of historical incidents where HECO could not reach heat rate efficiency factors in the past three years or the past ten incidents, whichever shorter time frame is applicable;
- b) the financial impact to HECO in each incident;
- c) an explanation as to why HECO could not meet the required heat rate;
- d) an explanation of actions the company took or may take in the future to remediate possible recurrences of the incidents;
- e) notwithstanding remediation measures, details of any recurrences and reasons for the recurrences.

PUC-IR-107

Reference: Act 162 (2006)
HECO ST-10B at 7
HECO ST-10B at 8 - 9

HECO filed Supplemental Testimony of Dr. Jeff D. Makholm, on Behalf of Hawaiian Electric Company, Inc. on July 20, 2009. Dr. Makholm stated the following:

The risk of fuel cost changes comprises two things:

- Changes in the *price* of fuel as a single productive input; and,
- Changes in the *cost* to deliver and produce electricity from HECO's fuel inputs. This reflects any changes in the technical ability of the utility to turn purchased fuel into electricity, which may require HECO to purchase a greater quantity of fuel, and thus increase the

overall level of fuel costs, in order to produce the same amount of electricity.

Dr. Makholm explained that:

The ECAC, with its "heat rate" efficiency factor..., provides a partial pass-through of fuel costs. It shares the costs and/or benefits of decreased or increased plant operating efficiency by tying HECO's ability to recover its fuel costs (and financial performance) to its power plant performance[.]

Please provide:

- a) an explanation of how HECO fairly shares the risk of fuel cost changes with its customers if HECO responds to question (1) of PUC-IR-107 that there are no incidences where HECO could not reach heat rate efficiency factors in the past three years; and
- b) procedures and related staff reports, records or logs to demonstrate that HECO monitors deteriorating heat rates so that HECO can take appropriate action to improve conditions. If the required reports, records or logs are voluminous, please provide computer files, instead.

PUC-IR-108

Reference: Act 162 (2006)
HECO ST-10B at 17

HECO filed Supplemental Testimony of Dr. Jeff D. Makholm, on Behalf of Hawaiian Electric Company, Inc. on July 20, 2009. Dr. Makholm stated the following:

...Most states currently have a form of budget billing program available to residential customers.

Please provide:

- a) the estimated costs of budget billing programs for at least three utilities that have a similar number of residential customers as HECO;
- b) advantages and disadvantages to HECO and its customers of providing a budget billing program, including but not limited to, rate smoothing; and
- c) reasons why HECO considers a budget billing program to be not reasonable or cost-effective for HECO.

PUC-IR-109

Stipulated Settlement Letter dated May 15, 2009, Docket No. 2008-0083, EXHIBIT 1, page 16 states the following:

The Parties agree that the CACF at current effective and present rates is 0.152 cents per kWh, 0.000 cents per kWh at proposed rates, and the sales heat rates used in the ECAF as fixed efficiency factors at proposed rates are:

LSFO:	0.011114 mbtu/kwh
Diesel:	0.024582 mbtu/kwh
Biodiesel:	0.016762 mbtu/kwh
Other plants:	0.011184 mbtu/kwh
Weighted average:	0.011184 mbtu/kwh

Please provide:

- a) reasons why the heat rate for diesel is more than two times higher than that of LSFO, and reasons why HECO's heat rate for diesel is more than two times higher than that of any Maui districts;
- b) an explanation as to why the heat rate for each fuel type is reasonable and fair;
- c) the criteria and procedure that HECO uses to decide when and how to apply a fixed efficiency factor to DG fuel and transportation costs as HECO's DG units age; and
- d) a comparison of impacts with workpapers and calculations to apply a fixed efficiency factor on DG fuel and/or transportation costs to HECO's DG units in ECAC.

PUC-IR-112

Reference: 3rd Party Parallel Planning Costs

- a) Has HECO included 3rd party parallel planning costs in the 2009 test year?
- b) If yes, what competitively bid project does the 2009 test year parallel planning cost apply to?
- c) How does HECO differentiate between 3rd party parallel planning costs attributed to the competitive bidding process and normalized planning costs that are expected of a utility's operation?
- d) Should 3rd party parallel planning occur for projects that were waived from the competitive bidding process? Please explain.

PUC-IR-114

Reference: Purchased Power Adjustment Clause

- a) Are there other jurisdictions that have implemented a PPAC, or similar mechanism, for the purposes of mitigating imputed debt?
- b) Please provide reference and evidence to show that the risk factors for these utilities in other jurisdictions were reduced.

PUC-IR-115

Reference: Rate of Return on Common Equity; HECO-RT-19 at 73

In his rebuttal testimony, Dr. Roger Morin recommended a 25 basis points downward adjustment to his cost of equity analysis from a range of 11.25% - 11.50% to a range of 11.00% - 11.25%, "assuming approval of decoupling in its existing format."

- a) Define "decoupling in its existing format", as used in the referenced statement above.
- b) Discuss the impact of other types of decoupling, including decoupling without a Rate Adjustment Mechanism, on the cost of equity.
- c) Discuss how other HCEI-related mechanisms proposed by HECO could impact the cost of equity.
- d) Discuss and provide your calculations and workpapers to reflect the risk adjustment for each of the HCEI-related mechanisms proposed by HECO.